

Message Text

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TO AMEMBASSY BONN
INFO SECSTATE WASHDC 6522
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 USBERLIN 0724

BONN FOR MR. RANDOLPH

E O 11652: GDS
TAGS: PGOV EAIR
SUBJ: BERLIN COMMISSION ASKS FOR REDUCTION IN BERLIN AIR FARES

SUMMARY: BERLIN NEWSPAPERS HAVE RECENTLY REPORTED STORY
THAT BERLIN COMMISSION HAS PROPOSED SIGNIFICANT REDUCTION
IN FARES ON BERLIN ROUTES. LOCAL REACTION IS THAT LEAKED
PROPOSALS ARE BY NO MEANS FINAL RECOMMENDATION, AND MAY
NOT SERVE THEIR PRESUMED PURPOSE: TO REVIVE BERLIN AIR
TRAFFIC. FRG PLENIPOTENTIARY SPANGENBERG
HAS INDICATED INCREASED SUBSIDIES WOULD BE DEPENDENT ON
AIRLINE COMMITMENT TO BETTER SERVICE. END SUMMARY.

1. BERLINER MORGENPOST MARCH 26 BROKE STORY THAT A
"DRASTIC" REDUCTION OF AIR FARES ON BERLIN ROUTES HAS BEEN
CALLED FOR BY ALL FOUR POLITICAL PARTIES PARTICIPATING IN
THE BERLIN COMMISSION UNDER THE AEGIS OF PRESIDENT
SCHEEL. AVERAGE PRICE REDUCTION, WHICH WOULD BE ORIENTED
TOWARD THE PRICE OF A FIRST-CLASS RAIL TICKET, WOULD BE
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11.5 PCT. OTHER SPECIAL REDUCTIONS WOULD BE
CALLED FOR FOR BABIES, CHILDREN, SENIOR CITIZENS AND
OTHER GROUPS. AIR PRICES TO HANNOVER WOULD REMAIN
ABOUT THE SAME UNDER NEW SYSTEM. ACCORDING TO ESTIMATES
CITED BY MORGENPOST, NEW TARIFF SYSTEM WOULD REQUIRE AN
ADDITIONAL DM 60 MILLION SUBSIDY PER YEAR.

2. IN TAGESSPIEGEL MARCH 29, BERLIN SPD BUNDESTAG REPRESENTATIVE LOEFFLER CRITICIZED "PREMATURE PUBLICATION" OF POSSIBLE NEW BERLIN ASSISTANCE FROM FRG: THE BASIS OF CONFIDENCE FOR COMMON CONSULTATIONS OF ALL PARTIES "WAS THEREBY SHAKEN." ACCORDING TO TAGESSPIEGEL, BERLIN AIR CIRCLES DOUBTED THAT IN FACT THERE WOULD BE A NEW SUBSIDY SYSTEM FOR BERLIN FLIGHTS, ESPECIALLY BECAUSE NO CONTACT WITH THE AIRLINES HAD YET BEEN ESTABLISHED. THE NEWSPAPER QUOTES BERLIN CDU BUNDESTAG MEMBER WOHLRABE AS SAYING HE CONSIDERED THE NEW PRICE SYSTEM NOT EFFECTIVE. THE NEW PRICES, HE CONTINUED, WOULD NOT STIMULATE THE NORMAL CITIZEN TO TRAVEL MORE BY AIR. TAGESSPIEGEL SUGGESTED THAT THE MOREGNPOST HAD PUBLISHED A DISCUSSION PROPOSAL ON AIR FARES WHICH WAS IN FACT IN AN EARLY STAGE OF CONSIDERATION.

3. TAGESSPIEGEL EDITORIAL MARCH 29 TERMED NEW BERLIN AIR FARE PROPOSAL "CRUDE", WHILE ADMITTING THAT THE EXISTING SUBSIDY SYSTEM DOES NOT HAVE ANY RATIONAL RELATIONSHIP TO PROPER AIR PRICES AND DOES NOT FULFILL ITS ORIGINAL PURPOSE, THAT OF EASING AIR TRAVEL FOR BERLINERS. TAGESSPIEGEL CRITICIZED THE AIR FARES PROPOSAL PUBLISHED IN MORGENPOST AS NOT ORIENTED TO THE MARKET AND ADDED IT WOULD NEVER LEAD TO A PERCEPTIBLE REVIVING OF BERLIN AIR TRAVEL. ONLY "LUCRATIVE OFFERS" COULD MAKE FRG AND BERLIN PRIVATE TRAVELLERS RETURN TO THE AIRLINES. CONFIDENTIAL

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TAGESSPIEGEL SUGGESTED THAT IT MIGHT BE DESIRABLE TO GIVE HEAVY SUBSIDIES TO SO-CALLED IT TRIPS; THAT IS, FLIGHTS WITH LODGING INCLUDED AT THE DESTINATION. OLD AND YOUNG PEOPLE, FAMILIES AND OTHER GROUPS COULD ALSO BE GRANTED SUBSTANTIALLY CHEAPER RATES, BUT ANY CHANGE IN THE EXISTING SYSTEM WOULD REQUIRE PRECISE MARKET ANALYSIS AND EXAMINATION OF POLITICAL FACTORS.

4. ONE OF THE SOURCES OF THE TAGESSPIEGEL EDITORIAL, BRITISH AIRWAYS BERLIN MANAGER WOLFGANG GRUND, TOLD US MARCH 29 THAT THE PROPOSAL AS HE UNDERSTOOD IT WOULD MERELY AMOUNT TO A SUBSIDY FOR BUSINESS TRAVELLERS WHO ARE ALREADY USING THE IGS. HE DID NOT EXPECT THAT A SMALL REDUCTION IN TICKET PRICES WOULD ATTRACT NEW CATEGORIES OF TRAVELERS. HE SAID THAT IF THE IGS IS TO EXPAND SUBSTANTIALLY IT MUST AGAIN BE PATRONIZED BY PRIVATE TRAVELLERS-VACATIONERS, FAMILIES TRAVELLING TO VISIT RELATIVES. HE NOTED THAT IN THE YEARS IMMEDIATELY PRECEDING THE 1971 QUADRIPARTITE AGREEMENT THERE WAS A SUBSTANTIAL AMOUNT OF THIS PRIVATE TRAVEL; THE TRAVELLERS IN THOSE DAYS SIMPLY DID NOT WANT TO RISK AUTO TRAVEL THROUGH THE GDR WHICH WAS THEN SUBJECT TO

UNPREDICTABLE DELAYS BROUGHT ON BY STRICT AND/OR CAPRICIOUS GDR CONTROLS. IN THIS CONTEXT, THESE EXTENSIVE CONTROLS, SINCE THEN ELIMINATED AS A RESULT OF THE QA, CREATED AN ARTIFICIALLY HIGH NUMBER OF PRIVATE AIR TRAVELLERS. GRUND THOUGHT IT A MISTAKE THEREFORE TO ATTEMPT TO ATTRACT THESE PERSONS BACK TO FLYING BY MEANS OF A SUBSIDY. HE THOUGHT FUNDS FOR THIS PURPOSE MIGHT BE BETTER USED IN A MORE CONCENTRATED WAY FOR SPECIFIC AVIATION IMPROVEMENTS: IN THIS CONNECTION HE AND BRITISH DEPUTY POLAD ADAMS MENTIONED SOME SORT OF SUBSIDY FOR BERLINER TAXI, WHICH IS HAVING FINANCIAL DIFFICULTIES.

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BONN FOR RANDOLPH

5. IN COMMENTING ON THE AIR FARE STORY, SENAT DIRECTOR JOERG SCHLEGEL (FDP) REMARKED TO MISSION OFFICERS ON MARCH 29 THAT THE PROPOSAL WAS ONLY ONE OF SEVERAL IDEAS TO STRENGTHEN BERLIN'S VIABILITY WHICH ARE NOW BEING EXPLORED BY THE COMMISSION OF BERLIN POLITICAL PARTY REPRESENTATIVES AND FRG OFFICIALS. THE AIR FARE PROPOSAL IN ITS PRESENT FORM, AS WELL AS OTHER MEASURES UNDER CONSIDERATION, ARE BY NO MEANS FINAL RECOMMENDATION. THE ORIGINAL MARGENPOST STORY HE CHARACTERIZED AS ACCURATE. SCHLEGEL SAID THAT THE PROPOSAL TO INCREASE THE AIR FAR SUBSIDY WAS AN FDP INITIATIVE. SOME TIME AGO, HOWEVER, WE WERE TOLD BY CDU SOURCES THAT THE BERLIN CDU WAS PUSHING THE IDEA OF

INCREASING SUBSIDIES. SUCCESS OF COURSE HAS MANY FATHERS.

6. IN USUAL MONTHLY MEETING WITH ALLIED MINISTERS ON
MARCH 30 FRG PLENIPOTENTIARY FOR BERLIN SPANGENBERG
SAID THAT INCREASING SUBSIDY FROM CURRENT DM 40 MILLION
WAS DEFINITE POSSIBILITY, BUT THAT SUCH INCREASE WOULD
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HAVE TO BE POSITED ON BETTER PERFORMANCE BY AIRLINES.
SPECIFICALLY, HE SAID THERE IS WIDESPREAD IMPRESSION,
E.G., THAT IF A GIVEN FLIGHT IS LESS THAN 60 PERCENT
BOOKED, ALLIED AIRLINE WILL SIMPLY SCRUB IT AND TELL
WOULD-BE PASSENGERS TO WAIT FOR NEXT FLIGHT. HE ALSO
SAID THERE IS SIMILAR IMPRESSION OF SLOPPY SERVICE AND
GENERALL INATTENTION TO PASSENGER NEEDS BY IGS CARRIERS.
ACCORDING TO SPANGENBERG, ANY SUBSIDY INCREASE WOULD
BE DEPENDENT ON HARD BARGAINING AND AIRLINE COMMITMENT TO
DO BETTER BY PASSENGERS. GEORGE

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